

## Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 IGA-02 AID-20 COME-00 EB-11 FRB-03 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 GSA-02

ABF-01 AGR-20 EUR-25 DRC-01 IO-14 HEW-08 SR-02 ORM-03

SNM-02 DEAE-00 SCI-06 /239 W  
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R 171038Z JUL 74

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 8257

C O N F I D E N T I A L SECTION 1 OF 2 RANGOON 1996

E. O. 11652: XGDS - 5(B)3

TAGS: EGEN EAID BM

SUBJ: GUB REQUESTS FOR ECONOMIC ASSISTANCE

REF : (A) STATE 151521; (B) RANGOON 1995; (C) RANGOON 1195  
AND 1196, 17 MAY 1972; (D) RANGOON A-080, ITEM 9

1. SUMMARY: GUB REQUESTS ARE NEITHER SIGN OF MAJOR NEW SHIFT  
TOWARDS US NOR NECESSARILY HARBINGER OF FUNDAMENTAL  
REFORMS. REQUESTS ARE LATEST MANIFESTATION  
OF GRADUAL AND RELATIVE OPENING UP TOWARD US AND  
OTHER NATIONS THAT HAS BEEN REMARKED FOR SOME TIME.  
GUB IS APPROACHING A NUMBER OF POSSIBLE DONORS AND  
EXPECTS TO DRAW ON ITS OWN RESOURCES AS WELL IN COPING  
WITH CURRENT EMERGENCY. WE SEE SOME VALUE, IF ONLY TO  
RETAIN GUB GOOD WILL, IN A MODEST AMOUNT OF HELP  
(E.G., SALES ON CREDIT) IF COMMITMENTS ELSEWHERE PERMIT;  
HOWEVER, WE DO NOT BELIEVE US INTERESTS WOULD BE SERVED  
BY GRANT AID OR BY MASSIVE NEW PL 480 OR OTHER BILATERAL  
AID PROGRAM, OR BY ENCOURAGING GUB TO HOPE FOR SUCH.

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IN OUR OPINION, WE DO NOT NEED AND SHOULD NOT ATTEMPT TO

PROCURE BY OUR AID A MAJOR GUB SHIFT TOWARD THE US. APART FROM HUMANITARIAN CONCERNS, WHICH ARE NOT COMPELLING AT THIS STAGE, OUR MAIN INTERESTS HERE ARE: NARCOTICS SUPPRESSION AND NON-DISCRIMINATORY ACCESS FOR AMERICAN, TO WHATEVER EXTENT SUCH BECOMES POSSIBLE AND PROFITABLE. THESE MAJOR INTERESTS ARE IN SATISFACTORY SHAPE WITHOUT A MAJOR SHIFT BY THE GUB. GUB REFORM WOULD BE NICE, IF IT MADE BURMA MORE PRODUCTIVE--A BIG IF. THERE IS INDEED AN INFLUENTIAL FACTION WITHIN GUB PRESSING FOR FUNDAMENTAL CHANGE; BUT WE RATE THE ODDS ON SUCH REAL AND LASTING CHANGE NO BETTER THAN FIFTY-FIFTY. AND IT IS A MOOT POINT WHETHER MASSIVE AID WOULD STIMULATE MEANINGFUL REFORM OR (BY REMOVING THE SPUR OF DIRE ECONOMIC NECESSITY) MAKE THE ODDS AGAINST IT EVEN WORSE. AT ALL EVENTS, MASSIVE AID DOES NOT SEEM AN EFFICIENT WAY OF ADVANCING AMERICAN INTERESTS HERE. END SUMMARY.

2. IF A POLICY

OF REJECTING ASSISTANCE FROM US EVER EXISTED, IT WAS REVERSED AT LEAST TWO YEARS AGO. GUB IN MAY 1972 REQUEST SEMI-SOFT LOAN AND WAS TURNED DOWN (REF C). DECISION TO SEND STUDENTS AND OTHER TRAINEES TO US ON USG GRANTS (WHICH BURMESE REGARD AS TECHNICAL ASSISTANCE) WAS MADE AND INITIALLY IMPLEMENTED IN MID-1973. HELICOPTER PACKAGE IS OF COURSE A FURTHER EXAMPLE. WE HAVE HAD FREQUENT INDICATES, VARYING FROM GUARDED HINTS TO FAIRLY EXPLICIT STATEMENTS, THAT GUB WOULD WELCOME OTHER FORMS OF US ASSISTANCE AND WOULD FORMULATE SPECIFIC REQUESTS IF IT HAD ANY REASON TO BELIEVE SUCH REQUESTS STOOD A CHANCE. THUS, WE DO NOT SEE CURRENT GUB REQUEST AS CONSTITUTING ANY SHIFT IN BURMESE POLICY TOWARD US, BUT RATHER AS CONTINUING OVER-ALL TREND OF PAST THREE YEARS TO LESS STAND-OFFISHNESS TOWARD US AND OTHER COUNTRIES.

3. GUB HAS APPROACHED A NUMBER OF OTHER DONORS FOR COMMODITY AID IN IMPLEMENTATION OF CURRENT STABILIZATION PROGRAM. IN ADDITION TO DEVELOPMENTS REPORTED REF D, FOL ARE SIGNIFICANT: (A) CANADA HAS BEEN ASKED FOR WHEAT OR FLOUR AND HAS REPLIED THAT NO SUPPLIES WILL BE AVAILABLE BEFORE NEXT YEAR; (B) IN ADDITION TO UTILIZING

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SMALL REMAINING BALANCE OF 10 MILLION POUND 1971 PRC COMMODITY LOAN, GUB HOPES TO USE UNEXPENDED BALANCE OF PRC PROJECT LOAN (ORIGINALLY EXTENDED 1961, REINSTATED 1971); (C) GUB OFFICIALS STATE APPROACH BEING MADE TO FRG, THOUGH FRG EMBASSY HERE HAS NOT YET BEEN ASKED FOR ASSISTANCE: POSSIBLY APPROACH BEING MADE IN BONN. AS REF B INDICATES, GUB ALSO INTENDS DRAW DOWN ABOUT \$60 MILLION OF OWN RESERVES WHICH CURRENTLY AROUND \$140 MILLION (PROBABLY INCLUDING

SOME WINDOW-DRESSING), HIGHER THAN ANY TIME SINCE EARLY 1970.

4. THERE IS NO QUESTION ABOUT IMPORT-STARVED BURMESE ECONOMY'S NEED FOR THE COMMODITIES WHICH GUB IS SEEKING FROM US AND OTHER DONORS. FLOOD OF IMPORTS AIMED AT ELIMINATING CHRONIC SCARCITIES, BRINGING SMUGGLING UNDER CONTROL, AND PROVIDING ADEQUATE INCENTIVES BOTH TO WORKERS AND FARMERS IS ESSENTIAL TO ANY ADEQUATE STABILIZATION PROGRAM. AT SAME TIME, AS GUB READILY CONCEDES (REF B), NEED IS NOT TO PREVENT ACTUAL STARVATION BUT TO SERVE AS BASIS FOR STABILIZATION AND REDUCE RISK OF FURTHER LABOR UNREST AND POLITICAL UPHEAVALS.

5. BASIC QUESTION IS WHETHER CURRENT STABILIZATION MEASURES WILL LAY GROUNDWORK FOR MEANINGFUL REFORMS AND CONSEQUENT ECONOMIC PROGRESS, OR WHETHER THEY WILL MERELY SINK WITHOUT TRACE ONCE PRESENT CRISIS IS PAST. RECORD OF BURMESE LIBERALIZATION TO DATE AND PROSPECTS FOR ITS CONTINUATION DO NOT WARRANT OPTIMISM. MEASURES OF POLITICAL, ECONOMIC, AND FOREIGN POLICY LIBERALIZATION SO FAR ARE NUMEROUS, BUT NEITHER FUNDAMENTAL NOR IRREVERSIBLE. THERE IS STRONG FACTION WITHIN GUB, HEADED BY DEPPRIMIN U LWIN, WHICH IS PUSHING COMPREHENSIVE ECONNPSC REFORM, BUT WE DO NOT BELIEVE IT HAS ENOUGH POLITICAL CLOUT OR ENJOYS THE FULL SUPPORT OF NE WIN WHICH WOULD BE NECESSARY TO ACHIEVE SUCH REFORM. A CHANGE OF REGIME, FOLLOWED BY BASIC REFORM, IS A MORE PLAUSIBLE SCENARIO NOW THAN IT WAS A YEAR AGO, BUT STILL IN OUR VIEW NOT LIKELY. NOR IS IT AT ALL CERTAIN THAT REFORM AT THE TOP WOULD CURE THE CHRONIC INEFFICIENCY WHICH PLAGUED BURMA EVEN BEFORE THE ADVENT OF NE WIN. AS A RESULT, WE RATE PROSPECTS FOR MEANINGFUL AND LASTING REFORM AS NO BETTER THAN FIFTY-FIFTY.

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

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SNM-02 DEAE-00 SCI-06 /239 W  
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R 171038Z JUL 74

FM AMEMBASSY RANGOON  
TO SECSTATE WASHDC 8258

C O N F I D E N T I A L SECTION 2 OF 2 RANGOON 1996

6. IT IS ARGUABLE THAT A BAIL-OUT NOW, BY US AND/OR OTHER DONORS, ACTUALLY IMPAIRS PROSPECTS FOR REFORM BY ALLOWING NEW WIN AND OTHER SENIOR GUB LEADERS TO CONTINUE AVOIDING BASIC POLICY CHANGES. ON THE OTHER HAND, U LWIN AND HIS ASSOCIATES ARGUE (REF B) THAT HELP NOW FROM US AND LIKE-MINDED COUNTRIES WILL ENHANCE PROSPECTS FOR REFORM, AND WE SHOULD NOT FORGET THAT U LWIN IS CONSIDERABLY BETTER INFORMED THAN WE ABOUT THE STATE OF PLAY WITHIN INNER CIRCLE OF REGIME. ON BALANCE, HOWEVER, EMBASSY DOUBTS THAT PROVISION OF AID BY US WOULD MATERIALLY

ADVANCE REFORM. AT ALL EVENTS QUESTION SHOULD BE, NOT WHETHER US AID WOULD STIMULATE "REFORM", BUT WHETHER US AID ON REQUISITE SCALE WOULD BE AN EFFICIENT MEANS OF ADVANCING US INTERESTS HERE. THE ARGUMENT THAT IT WOULD NOT BE SEEMS TO US RATHER CONVINCING.

7. GUB COULD TAKE A NUMBER OF STEPS WHICH WOULD LEAD US TO REVISE FOREGOING BLEAK ESTIMATE OF PROSPECTS FOR REFORM. AMONG THESE WOULD BE MAJOR SHIFT TOWARD ENCOURAGEMENT OF CONFIDENTIAL

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FOREIGN INVESTMENT, OR BURMESE REQUEST AND IBRD OR IMF AGREEMENT TO ORGANIZE BROADLY-BASED INTERNATIONAL AID CONSORTIUM. US REACTION TO ANY SUCH MOVE SHOULD REST UPON RIGOROUS APPLICATION OF ECONOMIC CRITERIA, AND IN SOME CIRCUMSTANCES, US ENCOURAGEMENT OF PRIVATE INVESTMENT OR PARTICIPATION IN MULTILATERAL EFFORT SHOULD NOT BE RULED OUT. BUT WE DO NOT THINK US INTERESTS WOULD BE SERVED BY A CONVENTIONAL BILATERAL AID PROGRAM, OR BY P.L. 480 SALES (EXCEPT AS NOTED PARA 8 BELOW), FOR BURMA.

8. AT SAME TIME, WE ARE RELUCTANT TO APPROACH SITUATION IN TERMS OF AN ALL-OR-NOTHING CHOICE BETWEEN A SUBSTANTIAL AID PROGRAM AND NOTHING AT ALL. BELIEVE OUR INTERESTS IN CONTINUING AND ADVANCING BURMESE COOPERATION IN NARCOTICS CONTROL, PLUS LONG-RANGE COMMERCIAL INTERESTS IN ACCESS TO BURMESE RAW MATERIALS, PLUS HUMANITARIAN CONCERN OVER THE DESPERATE POVERTY WHICH EXISTS IN MUCH OF BURMA,

JUSTIFY LIMITED RESPONSE INVOLVING MINOR OR EVEN TOKEN  
FINANCIAL COMMITMENTS. SUCH RESPONSE MIGHT INCLUDE SOME  
OF THE FOLLOWING: (A) RESUMPTION OF TITLE II P.L. 480  
ASSISTANCE THROUGH UNICEF; (B) IF SUPPLY SITUATION AND  
OTHER PRIORITIES MAKE IT AT ALL POSSIBLE, AGREEMENT TO  
SUPPLY LIMITED AMOUNT OF COTTON, SAY \$2-3 MILLION WORTH,  
UNDER P.L. 480 TITLE I; (C) ASSISTANCE TO GUB IN LOCATING  
WHEAT FLOUR ON COMMERCIAL TERMS (REF B PARA 7); (D)  
AVAILABILITY OF EXIMBANK COOPERATIVE FINANCING OR RELENDING  
FACILITY FOR ACQUISITION OF TRANSPORT EQUIPMENT AND SPARE  
PARTS (INCLUDING PRIVATE SECTOR), THUS MAINTAINING AND  
PERHAPS EXPANDING US COMMERCIAL POSITION IN A POTENTIAL  
GROWTH AREA; (E) AVAILABILITY OF TECHNICAL ASSISTANCE  
FUNDS FOR A FEW SMALL AGRICULTURE, HEALTH, AND SCIENCE-  
ORIENTED PROJECTS TO TEST WHETHER WE CAN MAKE ANY  
MUTUALLY USEFUL OR HUMANITARIAN CONTRIBUTION WHILE AWAITING  
MORE FAVORABLE CLIMATE FOR ECONOMIC DEVELOPMENT. OSBORN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE, POLICIES, ECONOMIC STABILITY, DRUG CONTROL, COMMODITY ASSISTANCE, FOREIGN INVESTMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 JUL 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Disposition Reason:**  
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**From:** RANGOON  
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**Legacy Key:** link1974/newtext/t19740741/aaaabjcb.tel  
**Line Count:** 240  
**Locator:** TEXT ON-LINE, ON MICROFILM  
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**Original Previous Handling Restrictions:** n/a  
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